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OFFICE OF THE ASSISTANT DIRECTOR / CONTROLLER
UNITED STATES OPERATIONS MISSION TO KOREA
AGENCY FOR INTERNATIONAL DEVELOPMENT

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REPORT OF AUDIT

FINANCING OF KOOKDONG MINK COMPANY, LTD., THROUGH
A.I.D. COOLEY LOAN NO. 489-E-025 AND
SUB-LOAN (NO.901) UNDER A.I.D. DEVELOPMENT LOAN NO. 489-A-007

For the Period from December 10, 1964, to June 30, 1966

REPORT NO. 67-10

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REPORT OF AUDIT

FINANCING OF KOOKDONG MINK COMPANY, LTD., THROUGH

A.I.D. COOLEY LOAN NO. 489-E-025 AND

SUB-LOAN (NO. 901) UNDER A.I.D. DEVELOPMENT LOAN NO. 489-A-007

For the Period from December 10, 1964, to June 30, 1966

Scope of Audit

An audit has been conducted of the Cooley loan and the sub-loan, under AID Development Loan No. 489-A-007 to the Korean Reconstruction Bank (KRB), granted to the Kookdong Mink Company, Ltd. (borrower). These loans provided partial local currency financing (Cooley loan) of construction and working capital costs and dollar financing (sub-loan) of equipment, transportation, and technical services required to establish a mink ranch within Korea. As stated in the Cooley Loan Paper, the primary objective of this project was to provide Korea with a commodity which was readily marketable in the free world and would thus earn foreign exchange.

The purposes of our examination were to determine if (a) the primary objective of producing an exportable commodity had been fulfilled, (b) the loan proceeds had been used in accordance with the plans submitted as part of the loan agreements, (c) the equity investments by both Korean and U.S. backers of the firm had been made, and (d) the covenants and warranties of the loan agreements were being complied with. We made several visits to the borrower's head office in Seoul and ranch in Pusan between December 1965 and June 1966. Our review of the borrower's records covered the period from the inception of the project through November 30, 1965. During our review, a Korean Certified Public Accountant (CPA) was auditing the borrower's financial records; accordingly we performed only a limited review in this area.

Responsibility for administration of these loans has been delegated by the USOM to the Development and Finance Division (DFD), and by the ROKG to the Korean Reconstruction Bank.

Background Information

During 1964, AID approved an investment survey grant of \$4,300 to Gittleman's Sons, Inc. (Gittleman's) to study potential investment opportunities in mink ranching within Korea. Subsequently, a joint venture agreement was concluded between Mr. Hong Sik Chang and Gittleman's to establish a mink ranch in Pusan, Korea. An application to register a foreign investment of \$180,000 was submitted to the Government of the Republic of Korea (ROKG) under the Foreign Investment Encouragement Law of 1960, and was officially approved on November 9, 1964.

The plan submitted in the applications for the loans proposed that Gittleman's invest the equivalent of \$180,000 in the form of 2,500 mink breeders (\$125,000), a 100-ton fishing boat (\$50,000), and medical supplies and vitamin supplements (\$5,000). Except for the \$50,000 investment of the fishing boat, all of Gittleman's equity was to be invested upon approval of the loan applications. The plan called for expansion of the business to include a fishing division in the second year of operation, at which time Gittleman's would provide the boat. Mr. Chang and other Korean backers planned to invest ₩5.2 million immediately.

The Cooley loan application requested ₩39 million (approximately equivalent to \$144,000) to finance construction and procurement of capital facilities and for part of the operating costs for the initial two years. The application further requested that the proceeds be disbursed in two segments, i.e., ₩25 million upon approval of the loan and ₩14 million on/about January 1, 1966. The dollar loan application for \$50,107 was made to finance the air transportation costs of bringing the mink breeders from Philadelphia to Pusan; the cost of U.S. manufactured refrigeration/freezing unit, and wire for cages; air transportation costs and the fee for the U.S. consultant who had assisted the borrower in planning the project; and round trip air transportation costs for the U.S. citizen who would work as ranch supervisor, and for two Korean employees who were to go to Philadelphia for training.

The basic premise of the plan was that Pusan, with its readily accessible supply of fish and whalemeat, cheap labor source, and climate suitable for raising mink, would be an ideal place to start a mink ranch. Mr. Chang and his Korean partners would supply the land and labor, and arrange for financing construction with indigenous materials; and Gittleman's would supply the mink breeders, select the necessary U.S. made commodities, and supply the "know-how" to raise mink. Gittleman's further agreed in the joint venture agreement to buy all the mink pelts produced by the ranch at world competitive market prices, thus providing a ready market and earning foreign exchange for Korea. The plan estimated that 6,000 young mink (kits) would be born the first year, of which 4,750 would be exported and the remaining 1,250 retained as additional breeders. The plan further estimated that by the end of 1970 (six years after the project began), the ranch would house 11,250 breeders and 31,500 pelts would be exported each year. Foreign exchange earnings on the pelts to be exported were estimated at \$86,875 after the first years operation, and at \$535,500 annually after six years.

The project planned to set up a fishing division in the second year of operation to provide a supply of fish for mink food and to earn local currency by rental of the boat to Korean fishermen. This plan was changed late in 1965; and on January 6, 1966, the Cooley Loan Agreement was amended to delete the \$50,000 fishing boat investment by Gittleman's, and to require the Korean backers to invest an additional ₩10 million. The second disbursement of the Cooley Loan was not to be made until the conditions precedent established in Amendment No. 1 had been met by the borrower and approved by the USOM.

The Cooley Loan agreement was signed on February 10, 1965, and the sub-loan on December 9, 1964. Subsequently, the borrower submitted the documents required under the conditions precedent, and disbursements under both loans were made during March 1965.

During December 1965, we began our audit of the loans made to the borrower, and found the deficiencies noted in the body of this report. At the end of January 1966, we suspended our audit work to await the ending of the first pelting season so we could determine if the objective of producing an exportable commodity had been fulfilled. On March 31, 1966, the borrower notified the USOM Director of significant occurrences which would effect the future operation of the mink ranch. In a meeting which followed this letter, the borrower's president, vice president, and the U.S. foreman stated that in their opinion the project had developed into a "complete failure". They reported that no pelts had been exported since the price offered by Gittleman's was considerably less than the average export prices quoted by Gittleman's when the project was initiated, and even less than the cost of producing the pelts. When the project was contemplated Gittleman's had informed the Korean investors that the average price paid for pelts was \$12.50 for female and \$22.50 for male pelts; but now was offering to pay only \$5 and \$8 respectively. Since the Korean backers (who actively manage the company) felt that these prices were unacceptable, they had refused to export the pelts to Gittleman's and were currently trying to find another foreign market.

The borrower's U.S. foreman stated his opinion, supported by the president, that the present location of the ranch is not proper to raise mink bearing good quality fur. He felt that the fur had not developed to "full prime" because of the mild climate in Pusan, and recommended that the ranch be moved to another location with a colder climate. He stated that although the original plan called for retention of 3,750 minks as breeders, only 760 breeders remained at the ranch.

The borrower's president stated that Gittleman's (the major investor) did not agree with the modified capital structure proposed in Amendment No. 1 to the Cooley loan agreement, thereby disqualifying the company from making a request for the second tranche of the loan. This has created a shortage of working capital, and the burden of financing working capital has fallen solely upon the Korean stockholders. He proposed that he dissolve the company, and requested USOM permission to make the repayment obligations of the company his personal obligation under the existing repayment plan.

Gittleman's attorney, who is presently in Korea, reported that Gittleman was, in fact, agreeable to approving the amendment, but was reluctant to approve more funds for the project since Mr. Chang was not cooperating with Gittleman's.

During May 1966, AID/W advised the USOM that two representatives of Gittleman's had called on them to discuss problems encountered with the ranch in Korea. They stated that the climate in Pusan was ideal for raising mink, that successful ranches are operated in the comparable climates of Florida and Southern California, and that the pelt samples sent to them by Kookdong were of high quality. They could not therefore understand the report that the mink had not primed. They produced copies of correspondence which indicated that the minimum guaranteed price quoted to Mr. Chang had been \$8 for males and \$5 for females; but they estimated they would be able to sell the pelts for approximately twice that amount. They blamed inexperience and lack of training of Korean personnel at the ranch in inoculating procedures as contributing to the high fatality rate of the young mink.

Certain points which they raised confirmed findings noted during our review. These included (a) their concern over not having received stock certificates evidencing their 86 percent ownership, (b) expenses in constructing the ranch which appeared to them to be exaggerated and which we were unable to verify as proper, and (c) reference to the contract between Mr. Chang and Mr. Gittleman which required shipment of all the pelts to Gittleman's to be sold at world competitive market prices.

During June 1966, we made a follow-up visit to the ranch, and found that approximately 600 mink had been retained as breeders and 1,400 kits had been produced. We were informed that the pelts from the 1965 season were still in storage. A recent press release indicated that Kookdong plans to export 400 pelts to an Australian buyer at a price of \$7,000 (average price \$17.50).

Gittleman's lawyer is presently in Korea to protect Gittleman's investment and to work out new arrangements with the Korean investors for carrying on the project. Such arrangements would have to be approved by USOM. The lawyer has had several meetings with Mr. Chang of Kookdong and he expects to submit a proposal for reorganizing the project in the near future.

Summary of Findings and Recommendations

As previously noted the prospects for the successful implementation of this project to be a foreign exchange earner for Korea are very doubtful at present, and as of the close of our audit, no mink pelts have been exported. Only 600 mink were retained as breeders at the end of the 1965 pelting season as compared to the plan to retain 3,750 breeders. Gittleman's (the major owner) and the Korean backers have had serious disagreements over the sales value of the pelts, the physical location of the ranch, and other aspects of the ranch management.

Our review disclosed several instances where corrective action is required, and our report contains four recommendations which we believe should be implemented if A.I.D. is to remain associated with this project. The recommendations call for DFD to:

1. Obtain from KRB justification and documentation for the actual dollar costs of refrigeration and freezing equipment, welded wire for cages, incidental expenses, transportation of U.S. personnel, and insurance and freight charges included in the cost of the refrigeration equipment and the wire (page 9).
2. Remind the borrower that the loan agreement requires Gittleman's to hold and own not less than 25 percent of the issued voting stock until the borrower has discharged its obligations for the loan in full, and therefore request that the stock be issued to Gittleman's (page 11).
3. Notify the borrower that the Cooley loan agreement prohibits investment in unrelated projects, and therefore inform the borrower that the ranch must divest itself of any interest in

the rabbit raising project, unless the borrower satisfies the USOM that the project is related to the mink operation (page 11).

4. Review the current insurance coverage of the borrower to insure that it is adequate (page 12).

Prior to the final release of this report, a draft copy was provided to DFD which expressed concurrence with our findings and recommendations.

DETAILED FINDINGS AND RECOMMENDATIONS

Loan Disbursements

Cooley Loan

In accordance with the Loan Agreement, disbursements were to be made in two segments. The first disbursement was made on March 19, 1965, in the amount of ₩23,470,000, and the second disbursement (₩15,530,000 maximum) was subject to the borrower's satisfactorily complying with the conditions precedent set forth in Amendment No. 1 (dated January 6, 1966) to the Loan agreement. Based on the information contained in the borrower's letter of March 31, 1966, the second disbursement had not been made as of June 30, 1966.

Sub-Loan

During March 1965, KRB disbursed \$47,607 of the \$50,107 authorized. The undisbursed amount is represented by (a) \$2,000 estimated cost of round trip transportation for two of the borrower's Korean personnel to visit the U.S. for training in breeding and pelting minks, and (b) \$500 estimated cost of the return transportation to the U.S. for the U.S. technical advisor. On December 22, 1965, the borrower notified KRB to cancel the \$2,000 portion because the borrower anticipated that Korean personnel would be adequately trained at the ranch.

Loan Repayments

Cooley Loan

The terms of the agreement stipulate that the borrower repay the loan in ten equal semi-annual installments, the first due three years after the date of the first disbursement. Interest accrues on the unrepaid portion of the principal at the rate of 8 percent per annum and is payable six months after the date of the first disbursement and semi-annually thereafter. To date the two interest payments due (September 15, 1965 and March 15, 1966) have been made on a timely basis.

Sub-Loan

The terms of this agreement provide for the borrower to repay the loan in local currency to KRB in accordance with an amortization schedule established by KRB in semi-annual installments over a 7½-year period commencing 2½-years after the date of the loan agreement. Interest is payable semi-annually (on the last day of March and September) at the rate of 8 percent per annum. The agreement contains a "maintenance of value" clause to insure that the amount repaid in local currency is equal in dollar value to the amount borrowed. Three interest payments due through the date of this report have been paid by the borrower on a timely basis.

Utilization of Loan Proceeds

Cooley Loan

When the loan application for this project was filed, a definite plan was submitted detailing how the proceeds would be spent. This plan stipulated that W14.3 million would be spent for the construction and procurement of capital facilities, and W24.7 million for working capital (mink feed and payroll costs). This plan further divided the expenditures in detail between the first and second disbursement. After the loan had been authorized, the borrower was required to submit an updated list of the expenditures which the borrower intended to finance with the loan proceeds as a condition precedent to making the first disbursement. When this list was submitted, the borrower indicated that he planned to utilize the proceeds to finance W23.6 million of capital facilities and W15.4 million of working capital. This schedule did not indicate which portion of the expenditures would be financed by the first tranche of the loan.

Our review of the borrower's records disclosed that through November 30, 1965, W29.3 million was spent for those items included in the list of expenditures to be financed with the Cooley loan proceeds (W18.0 million for capital facilities and W11.3 million for mink feed and payroll costs). In general, the expenditures conformed to those anticipated by the borrower in the plan submitted as a condition precedent. A comparative schedule detailing the original plan for utilizing the loan proceeds, the plan submitted as a condition precedent, and the expenditures shown on the borrower's records may be found in Schedule 1 of this report.

Since the borrower did not let the construction work on a bid basis, but rather procured the materials and performed the work, we were unable to verify the reasonableness of the costs shown in the records for the construction of capital facilities. We did, however, verify that the costs shown in the ledgers were supported by invoices and receipts.

The facility plans called for the construction of 29 sheds to house both breeders and pelters at an estimated cost of W6.5 million. As of our review during January 1966, 13 sheds had been completed at a cost of W3.3 million. The plan further called for the construction of 13,750 cages at a cost of W6.7 million. To date, their records indicate that 8,600 cages had been completed at a cost of W3.9 million. Our physical count of these cages disclosed that only 6,370 cages had been constructed, and sufficient material was in storage to complete approximately 1,000 more cages. It is apparent that the cost of capital facilities for the mink ranch was considerably higher than originally contemplated by the borrower, and even higher than contemplated on the revised estimate submitted as a condition precedent. We further noted that the ranch had fewer cages than the number of live mink, which totaled 6,802 on September 5, 1965.

Sub-Loan

The proceeds of this loan had been expended exactly as contemplated in the loan application; however, we had serious doubts that full value had been received for a major part of the commodities and services procured. It was also our opinion that part of the commodities (freezing equipment and wire) were contracted for prior to the eligibility date.

A sales agreement between the borrower and Gittleman's covered all the items to be financed with the proceeds of the sub-loan. This agreement was signed by the borrower on November 21, 1964, and by Gittleman's on December 10, 1964; however, pertaining to the freezer and wire, the agreement made reference to offer dates of November 2 and September 25, 1964, respectively. The loan agreement (dated December 9, 1964) stated that unless KRB granted approval in writing, items which were firmly ordered or contracted for prior to the effective date of the agreement would not be financed by the loan. KRB approved in writing the use of loan proceeds to pay for technical services rendered by Mr. S. J. Westock during 1964, but did not approve prior contracting for any other commodity. We felt that the contract was actually finalized for the freezing equipment and the wire when the borrower accepted Gittleman's offers on November 21, 1964; i.e., the offers had been made and upon the borrower's acceptance the contract was binding.

Except for the cost of the air charter service (\$26,000) utilized to transport the live minks, two attendants, and equipment from Philadelphia to Pusan, we have not been able to satisfy ourselves that full value was received for the commodities and services paid from the proceeds of this loan. These other costs totaled \$21,607, and consisted of the following:

(a) Refrigeration and Freezing Equipment, \$10,000.

Welded Wire Fabric (18 rolls), \$2,500.

As previously stated, this equipment was in our opinion, contracted for prior to the eligibility date stipulated in the loan agreement. We further noted that the bank paid for these items based on an invoice from Gittleman's, rather than on an invoice from the supplier of the equipment. The Summary Statement and Loan Analysis prepared by KRB prior to AID's accepting this loan stated that the disbursement of sub-loan proceeds would be made against documentary proof that the expenditures had been made by Gittleman's or their assigned representative. In our opinion, Gittleman's invoice alone is not proof that these expenditures have been made in the amounts stated. We also noted that insurance and freight were included in the offer prices of these commodities. These items were shipped on the charter flight along with the mink; therefore the freight cost shown in the offer should not be additive (\$483 for the freezing equipment and \$110 (estimated) for the wire). No separate invoice had been submitted for insurance, therefore, we could not determine if any insurance coverage was obtained (Amount of insurance cost in offer: \$57 for freezing equipment; not shown for wire.)

(b) Incidental Expenses, \$5,000.

These costs were added to the cost of the charter flight and were billed by Gittleman's as Air Freight Charges, \$31,000. No detailed breakdown of these expenses or supporting documents were submitted by Gittleman's. The borrower informed us that prior to finalizing the loan, Gittleman's had estimated these costs would total \$6,000: for building cages to transport the mink (\$3,500), insurance (\$1,500), and immunization of the mink and clearing public health inspections (\$1,000). As stated, no supporting invoices or documentation were submitted by Gittleman's to either the bank or the borrower.

(c) Technical Consultant's Fee and Air Travel Expenses, \$3,607.

These costs covered Mr. S. J. Westock's fee and travel expenses for time spent in Korea during 1964, and had been approved by KRB in writing as being valid loan expenses. Mr. Westock was reimbursed for 51 days of service at \$50 a day (\$2,550) and round trip air transportation costs (\$1,057). The only document available was an invoice from Mr. Westock attesting that these were proper expenses under his contract with the ranch. We were unable to determine how many days Mr. Westock worked, and we have not seen the airline ticket supporting that portion of the cost.

(d) Air Transportation for Mink Ranch Supervisor, \$500.

An airlines ticket covering this cost had not been submitted. The Air Charter cost included two attendants accompanying the live mink, and we were informed by mink ranch personnel that the American Supervisor was one of these attendants. Since this cost was already included in the charter cost, this apparently represented a duplicate charge to the loan proceeds.

To permit us to determine the total extent of the ineligible use of the proceeds of the sub-loan, we require additional information and documentation.

RECOMMENDATION NO. 1

DFD should obtain from the KRB detailed justification for the dollar expenditures financed by the sub-loan, including documentation to support the amount paid by Gittleman's for the refrigeration and freezing equipment, welded wire, incidental expenses, transportation, insurance and freight.

Arrival and Disposition of Mink

The following data has been extracted from pertinent records of the borrower and tested by us to verify its reasonable accuracy. On January 31, 1965, 2,511 live breeder mink arrived at Pusan from Gittleman's. At the

end of the breeding season 4,291 mink kits had been produced (significantly less than the 6,000 contemplated). Prior to the end of October, 1965, 301 mink (69 breeders and 232 kits) had been destroyed or had died as a result of disease.

At this point the borrower had approximately 6,500 mink left to carry out the plan to expand the ranch and earn foreign exchange through exports. Rather than carrying out the original plan on a reduced scale, the borrower sold live mink within Korea and has also processed a considerable number of pelts for sale within Korea. During November 1965, 498 live mink were sold to Ko Hap Industrial Company for ₩7.5 million (₩3 million cash and the balance due on a promissory note). Through January 20, 1966, the ranch had pelted 1,265 mink, all of which were being processed locally. Of those processed, 90 had been sold through January 20, 1966 (45 as pelts for ₩356,500, equivalent to \$1,320; 45 as finished fur pieces for ₩906,920, equivalent to \$3,359). Although these sales netted more than if the borrower had exported them at the price (\$12.50 for females and \$22.50 for males) originally quoted by Gittleman's, the borrower had not fulfilled the basic purpose of the loan of exportation to earn foreign exchange. In this connection we noted that the loan agreements did not contain a restrictive clause to prevent the domestic sale of pelts, and we suggest that if the second tranche of the Cooley loan is released, the loan agreement be amended to require exportation of all pelts produced, unless prior USOM approval is granted.

During January 1966, we were unable to obtain a firm figure from the borrower as to the number of breeders he planned to retain for future expansion. The quantities to be retained as reported to various sources of the USOM ranged from 2,400 to 3,750. The borrower reported in a letter to the USOM Director that as of March 31, 1966, only 760 minks had been retained as breeders. On April 9, 1966, we physically inventoried the live mink at the ranch and found 655 present, and on June 1, 1966 on a follow-up visit found that approximately 1400 kits had been produced from those breeders which had been retained.

Issuance of Borrower's Voting Stock

The Cooley Loan agreement requires as a condition precedent to the first disbursement that Gittleman's agree to hold and own not less than 25 percent of the issued voting capital stock of the company until the borrower has discharged its obligations under the loan in full. On February 10, 1965, Gittleman's submitted a statement to the USOM that they would comply with this condition of the loan agreement. We noted, however, that as of the date of our review, the borrower had not issued any stock certificates to Gittleman's and the borrower's vice-president informed us that the stock would be issued after all of Gittleman's equity in kind had been received. At that time, approximately \$800 worth of medicine had not been received. Although the lack of issuing stock to Gittleman's may in itself be a technicality, we noted that Gittleman's had not apparently shown the interest in the operations

of this business one would normally expect of an investor owning 86 percent of the company. For example, we found no evidence that Gittleman's had been represented when the company directors were elected, or that Gittleman's had been consulted prior to selling the live mink and pelts within Korea. The Korean CPA, who audited the borrower, stated that at the regular general meeting of shareholders held on February 14, 1966, Gittleman's was not represented either physically or by proxy.

RECOMMENDATION NO. 2

DFD should remind the borrower that the loan agreement requires that Gittleman's hold and own not less than 25 percent of the issued voting stock of the company until the borrower has discharged its obligations for the loan in full, and request that the stock be issued to Gittleman's.

Other Projects of Borrower

Between May and November, 1965, the borrower expended ₩511,500 (\$1,900) on a rabbit raising project (located at a Seoul orphanage managed by a relative of the borrower's president). Records available disclose that 412 rabbits were purchased and one shed constructed with sufficient cages to house 292 rabbits. During our review we accounted for 244 rabbits (167 alive, 37 pelts, and records which show 40 as sold). We were informed that the remaining 168 rabbits had died; and that no rabbits had been born in this six-month period.

The loan agreement stipulates that the borrower will not incur expenditures for assets other than those required for carrying out the project. We were assured by the borrower that this was a "related project" since they were raising the rabbits to feed to the mink as a partial substitute for whalemeat. We question if this is really a related project since the rabbits are raised in Seoul and the mink in Pusan, a distance of approximately 350 miles, and further note that rabbit meat has not been fed to the mink to date.

We also noted that the borrower has developed a small pig raising project at the ranch site; however, we are not objecting to this project since it is on a very small scale, and the pigs are being raised primarily on scraps.

RECOMMENDATION NO. 3

DFD should notify the borrower that the Cooley loan agreement prohibits the borrower from investing in unrelated projects, and unless the borrower can satisfy the USOM that the rabbit raising project is related to the mink ranch, inform the borrower that the ranch must divest itself of any interest in the project.

Insurance Coverage

The Cooley Loan agreement stipulates that the borrower should insure its properties and business against loss or damage. Through the date of our financial review, the borrower had insured only that equipment which had been financed by the sub-loan. The Korean CPA's report stated that during February 1966, the borrower obtained insurance on some of the buildings at the ranch, but indicated that the coverage was not adequate.

RECOMMENDATION NO. 4

DFD should verify with the borrower the present extent of insurance coverage, and assure that adequate coverage is obtained.

Financial Records

At the time of our review, a Korean CPA was performing an audit of the borrower's financial records; accordingly, we performed only limited work in this area. Our review of the CPA's report, received by the USOM during May 1966, indicated that he had conducted a thorough and comprehensive audit. In addition to adjusting the financial statements prepared by the borrower, he made detailed comments on all the Balance Sheet accounts, on events which occurred after the financial statement date, and events of default which could occur under the Cooley Loan. The Profit and Loss Statement (as adjusted by the CPA) disclosed a loss of ₩2.9 million (equivalent to approximately \$10,700) for the year ended December 31, 1965.

Proposed and Actual Use of Cooley Loan Proceeds
(In thousands of Won)

	Proposed			Conditions Precedent	First
	First Disb.	Second Disb.	Total		Disb. Actual 1/
<u>Capital Expenditures</u>					
Ground Leveling	130	-	130	2,483	2,636
Central Buildings	2,600	-	2,600	3,415	3,215
Mink Housing Bldgs.	4,212	2,340	6,552	6,552	3,257
Cages W/Water Cups	1,690	1,365	3,055	6,725	3,945
Guard Fence	260	-	260	756	581
Food Grinder	260	-	260		
Food Mixer	260	-	260	445	488
Pick Up Truck	780	-	780	427	514
Tools & Supplies	322	52	374	356	428
Employees Housing	-	-	-	1,563	1,038
Freezing Equip.	-	-	-	800	1,822
Telephone Install.	-	-	-	99	54
Total	<u>10,514</u>	<u>3,757</u>	<u>14,271</u>	<u>23,621</u>	<u>17,978</u>
	14	12	26		11
<u>Working Capital</u>	<u>Months</u>	<u>Months</u>	<u>Months</u>		<u>Months</u>
Mink Feed:					
Whale Meat	3,755	5,559	9,314		3,984
Fish	3,379	5,003	8,382		1,561
Cereal	1,051	1,557	2,608		1,159
Vegetables	376	556	932		267
Supplement	<u>939</u>	<u>1,390</u>	<u>2,329</u>		<u>882</u>
Total	<u>9,500</u>	<u>14,065</u>	<u>23,565</u>		<u>7,853</u>
<u>Payroll:</u>					
No. Employees	<u>12</u>	<u>16</u>	<u>N/A</u>		<u>28</u>
Labor Costs	<u>3,456</u>	<u>2,520</u>	<u>5,976</u>		<u>3,491</u>
Total Working Capital	<u>12,956</u>	<u>16,585</u>	<u>29,541</u>		<u>11,344</u>
<u>Working Capital</u>					
To Be Financed					
From Loan	<u>12,956</u>	<u>11,773</u>	<u>24,729</u>	<u>15,379</u>	<u>5,492</u>
Total Loan	<u>23,470</u>	<u>15,530</u>	<u>39,000</u>	<u>39,000</u> 2/	<u>23,470</u>

1/ Actual expenditures is the amount shown on the borrower's records through November 30, 1965, for those items on which the loan application anticipated expenditures.

2/ Proposed expenditures submitted to comply with Conditions Precedent to first disbursement did not designate when funds would be spent; neither was working capital split between feed and labor costs.

BEST AVAILABLE DOCUMENT

Distribution of Report

	<u>No. of Copies</u>
<u>ROKG</u>	
EPB	5
KRB	1
<u>AID/W</u>	
FE/MGT	4
C/FOS	1
<u>USOM/K</u>	
DFD	2
LEG	1
RDD	1
AD/C-B&A	1
C&R (through DD)	1